

Message Text

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SUBJECT: 124TH MEETING OF COORDINATING COMMITTEE OF GOVERNMENT

BUDGET EXPERTS

REF: CCG/W(73)28

1. BEGIN SUMMARY. THE CCG WILL CONSIDER A DRAFT REPORT TO COUNCILS ON PENSION SCHEME FOR STAFF OF THE COORDINATED ORGANIZATIONS AS WELL AS THE COMMENTS BY THE SECRETARIES-GENERAL IN ITS MEETING ON NOVEMBER 7. THE DOCUMENTS ON THIS SUBJECT (CCG/2(73) 31 AND 32) HAVE NOT YET BEEN ISSUED. IT IS LIKELY THAT THE CCG REPORT WILL PARALLEL THE INTERIM REPORT PREPARED BY ITS SPECIAL WORKING PARTY ON PENSIONS. REQUEST INSTRUCTIONS PARA 6 PRIOR NOVEMBER 7, 1973. END SUMMARY.

2. THE WORKING PARTY ON PENSIONS RECOMMENDED A COMMON PENSION SCHEME FOR THE COORDINATED ORGANIZATIONS TO ENTER IN FORCE WITH EFFECT FROM JANUARY 1, 1973. THE BENEFITS PROVIDED WOULD BE UNIFORM AND THE FUNDING WOULD BE FINANCED OUT OF THE BUDGETS OF EACH

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ORGANIZATION AND PENSION DISBURSEMENTS WOULD BE MADE

BY EACH ORGANIZATION. PRINCIPAL FEATURES OF PROPOSED PENSION SCHEME ARE:

- (A) ELIGIBILITY FOR PENSION AT AGE 60 WITH AT LEAST TEN YEARS SERVICE.
- (B) MAXIMUM PENSION ENTITLEMENT 70 PERCENT OF FINAL BASIC SALARY BASED ON TWO PERCENT FOR EACH YEAR OF SERVICE.
- (C) FOR STAFF SERVING LESS THAN TEN YEARS, A LEAVING ALLOWANCE WOULD BE PROVIDED. ALLOWANCE CONSIST OF REFUND OF EMPLOYEE CONTRIBUTIONS (7PERCENT) PLUS INTEREST AT FOUR PERCENT RATE AND ALLOWANCE EQUAL TO ONE AND ONE-HALF MONTHS OF FINAL BASIC SALARY FOR EACH YEAR OF SERVICE. THIS FIGURE WOULD BE SLIGHTLY LOWER THAN THE EXISTING BENEFITS RECEIVED FROM THE PROVIDENT FUND.
- (D) RESERION PENSION RIGHTS BE LIMITED TO WIDOWS, ORPHANS AND DISABLED WIDOWERS.
- (E) BASE FOR ESTABLISHMENT MINIMUM LIVING STANDARD PENSION WOULD BE FIRST STEP OF LOWEST GRADE (C-1).
- (F) REVALUATION OF PENSION BE MADE AT SAME TIME AS SALARY ADJUSTMENTS IN THE COORDINATED ORGANIZATIONS.
- (G) ALREADY RETIRED STAFF MEMBERS WHO HAD TEN YEARS SERVICE AND RETIRED AFTER AGE 60 BE ENTITLED TO PENSION. IN MOST CASES, THEY WOULD BE CALLED UPON REPAY AMOUNT RECEIVED FROM PROVIDENT FUND LESS REDUCTION FOR YEARS RETIREMENT ALREADY LAPSED.
- (H) ALL NEW EMPLOYEES BE COVERED BY PENSION SCHEME WHILE EXISTING STAFF ALSO BE COMPULSORILY ENROLLED AND NOT HAVE POSSIBILITY CONTINUING PROVIDENT FUND.
- (I) MEMBER COUNTRIES UNDERTAKE ASSUME DUE SHARE OF PENSION OBLIGATIONS IN EVENT OF WITHDRAWING FROM ORGANIZATION.
- (J) VALIDATION OF PAST SERVICE FOR ACTIVE STAFF MEMBERS BY REPAYMENT TO ORGANIZATION OF AMOUNT IN INDIVIDUALS PROVIDENT FUND CORRESPONDING TO CONTRIBUTIONS PAID TO FUND (21PERCENT PER YEAR) PLUS COMPOUND INTEREST AT FOUR PERCENT PER ANNUM.

3. TAX EXEMPTION FOR RETIREMENT PENSIONS (CCG/W(73)29).
THE FRENCH EXPERT ON THE SPECIALIST WORKING PARTY ON
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PENSIONS PROPOSED THAT THIS QUESTION SHOULD BE DEALT WITH BY A COMMITTEE OF BUDGET AND TAXATION EXPERTS. MISSION TNEDS FAVOR DIVORCING THIS ASPECT FROM QUESTION OF ESTABLISHING COMMON RETIREMENT BENEFITS SYSTEM FOR COORDINATED ORGANIZATIONS. RESOLUTION THIS QUESTION LIKELY BE TIME-CONSUMING AND WITH NO CERTAINTY THAT ALL MEMBERS COULD AGREE TO TAX EXEMPTIONS FOR PENSIONS.

4. CONTROVERSIAL ITEMS IN PENSION SCHEME

LIKELY BE TAX EXEMPTION, ALTERNATIVE CALCULATION FOR MINIMUM LIVING STANDARD PENSION, VALIDATION OF PRIOR SERVICE FOR EMPLOYEES WHO HAVE EXPENDED PROVIDENT FUND HOLDINGS (SUCH SAS PAYMENTS TO NATIONAL SOCIAL SECURITY SCHEMES), DISCONTINUANCE OF PROVIDENT FUND FOR PRESENT STAFF AND ADDITIONAL RETIREMENT CREDIT FOR SERVICE BETWEEN AGES 60-65. MISSION WILL PROVIDE SECRETARIES-GENERAL COMMENTS WHEN CCG/W(73)32 ISSUED.

5. MISSION COMMENT: MISSION BELIEVES THAT EXPERTS

WORKING PARTY ON PENSIONS HAS PRODUCED ACCEPTABLE PENSION PLAN FOR COORDINATED ORGANIZATIONS. GROUP HAS EXAMINED OECD PENSION PLAN PROPOSAL, EXISTING PENSION SCHEME IN COUNCIL OF EUROPE, AND PENSION SCHEME OF COMMUNITIES. PROPOSED PENSION PLAN FOR COORDINATED ORGANIZATIONS IS REASONABLE BALANCE DRAWN FROM THESE PENSION SCHEMES. THE EXPERTS GROUP BELIEVED THAT ITS PENSION PROPOSALS COULD BE FINANCED WITHIN THE EXISTING 21 PERCENT CONTRIBUTION LEVEL. IN THE EARLY YEARS OF OPERATION THE BUDGET IMPACT WOULD BE CONSIDERABLY BELOW THE 21 PERCENT LEVEL, BUT EXPENDITURES WILL INCREASE AS LARGER NUMBER OF PERSONNEL BECOME ELIGIBLE FOR PENSIONS. ASIDE FROM THE TAX EXEMPTION ISSUE, WE BELIEVE THAT THE OTHER AREAS OF DISAGREEMENT CAN BE FAVORABLY RESOLVED.

6. REQUEST INSTRUCTIONS PRIOR NOVEMBER 7 ON GENERAL ACCEPTABILITY OF BUDGETIZED PENSION PLAN AND THE SPECIFIC PROBLEM OF TAX EXEMPTION FOR RETIREMENT PENSIONS.BROWN

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